October 16, 2024

VIA RESS

Ontario Energy Board
P.O. Box 2319,
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Attention: Registrar

Dear Ms. Marconi,

Re: Generic Hearing on Uniform Transmission Rates – Phase 2
Board File Number: EB-2022-0325

We are counsel to the Distributed Resource Coalition ("**DRC**") in the above-noted proceeding. Please find attached the written submissions of DRC on Issues #5 and #6, filed pursuant to Procedural Order No. 4.

Sincerely,

DT Vollmer

c. All parties in EB-2022-0325

Encl.

DT Vollmer • Bay Adelaide Centre • 333 Bay Street, Suite 625 Toronto, ON M5H 2R2 • +1.647.993.6338 • daniel@resilientllp.com

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF a generic hearing to consider various issues related to Uniform Transmission Rates.

EB-2022-0325

SUBMISSIONS ON ISSUES #5 AND #6

OF

DISTRIBUTED RESOURCE COALITION

(DRC)

October 16, 2024

Overview

1. We are counsel to the Distributed Resource Coalition ("**DRC**") in the Ontario Energy Board's (the "**OEB**" or the "**Board**") generic hearing to consider various issues related to Ontario's Uniform Transmission Rates ("**UTRs**").

2. DRC is a group of electricity customers and consumers, consisting of end-use residential customers, non-profit organizations, and owners' associations. Its members are directly affected by and interested in: (i) optimizing existing energy assets; (ii) efficiently facilitating the integration of existing and innovative distributed energy resources ("**DERs**"), including electric vehicles ("**EVs**"), to achieve customer and grid solutions; and (iii) providing input on direct customer needs and local distribution company opportunities relating to EVs. DRC's members for this proceeding include, subject to further update, the Electric Vehicle Society ("**EVS**") and Plug'n Drive ("**PnD**")

3. DRC's submissions for the purposes of this stage of the proceedings are limited to Issues #5 and #6 and the questions they raise as to how Ontario's energy sector can best facilitate the adoption and integration of renewable energy and DERs. Such efforts are essential towards supporting the decarbonization and electrification of Ontario's energy sector in a way that promotes access, affordability and reliability in both the short and the long-term.

4. In particular, DRC believes that the following principles should guide the Board's decisions on Issues #5 and #6 in this proceeding:

    (a) the Board should maintain incentives for renewable generation such as solar and wind, including by providing favourable treatment on questions relating to gross billing thresholds;

    (b) these approaches establish important precedent for and consistency with efforts to promote the adoption of DERs at residential levels, which also provide essential contributions to Ontario's energy transition by supporting decarbonization in ways that reduce burdens on traditional, centralized infrastructure; and

(c) in this way, it is equally important for the Board to adopt an approach to the energy storage questions at issue in this proceeding that anticipates and supports the essential role that energy storage will play in Ontario's energy transition, in part, by establishing precedent that will help to promote residential home energy storage and bi-directional charging.

5. DRC takes no position on Issue #4.

Issue #5: The Board Should Maintain Favourable Treatment for Renewable and Energy Storage Facilities

6. DRC supports favourable treatment in areas relating to gross billing thresholds for renewable generation and energy storage. DRC views such measures across Ontario's sector as essential components towards the province's ability to decarbonize its energy sector in a way that promotes short and long-term reliability and affordability, in part, by adopting new, distributed technologies that will reduce burdens on traditional, centralized infrastructure.

7. On the basis of the above general principles, DRC's submissions in this section are organized as follows:

(a) **Issue 5.1**. DRC's support for maintaining the current approach of determining the application of the gross load billing threshold for embedded generator units on the basis of the capacity of the embedded generator unit, as opposed to the aggregate capacity of the facility;

(b) **Issue 5.2.** DRC's support for maintaining the current approach to the gross load billing threshold in cases of embedded generation that employs inverters, given the worthwhile policy that the current approach supports as well as the current lack of substantiated considerations that could provide the rationale for a change;

(c) **Issue 5.3.** DRC's support for more favourable treatment for energy storage facilities. In particular, DRC believes that energy storage facilities that can be shown to support and contribute to renewable generation more broadly should at the very least be subject to the higher threshold of 2 MW available

to renewable generators, if not entirely exempt from gross load billing in the UTR schedule.

Issue 5.1: DRC Supports Determination Based on Unit, Not Facility

8. DRC supports the current approach under the UTR Schedule that determines whether a transmission customer is subject to gross load billing on the basis of the capacity of an embedded generator unit, as opposed to the combined capacity of a facility (which could be the aggregate of multiple generator units).[1]

9. The value of the existing approach is in large part to incentivize and generally promote increased adoption of renewable generation and distributed resources that will ease existing burdens on centralized infrastructure,[2] producing short and long-term affordability, access and reliability benefits across Ontario's energy system.

10. By contrast, the record in this proceeding does not include the countervailing facts or policy considerations necessary to justify any changes to existing policy.

11. In particular, HONI has failed to establish that any intentional avoidance behaviour is taking place, or taking place in such a way as to warrant a change in policy as a mitigation measure. While HONI has noted that it is "aware of several instances in which a customer has installed multiple generator units and the aggregate rated capacity of these units … exceeds the applicable gross load billing threshold", [3] it has also conceded that it "does not know if customers intentionally or unintentionally sized their generator units for the purpose of avoiding gross load billing settlement charges and/or for any other purposes."[4]

12. Furthermore, HONI has conceded that it is possible that generator sizing decisions are currently being undertaken towards worthwhile policy objectives, namely to "increase the reliability and availability of generation".[5] Increasing costs and administrative complexity

[1] This is consistent with "Option 1" in EB-2022-0325. HONI Background Report on Issues 5 and 6, dated April 2, 2024, p 15 of 24. ("**Background Report**")
[2] Hydro One Network Inc.'s ("**HONI**") agrees that "embedded generation installed by transmission customers could be used to defer or avoid transmission upgrades…." See ED-1, Response B.
[3] HONI, Background Report, p 6 of 24.
[4] DRC-1, Response B.
[5] DRC-1, Response D.

for such actions could therefore represent a penalty or unfair burden for behaviour that supports the important policy objectives of decarbonization, reliability, efficiency and access.

13. In short, the existing approach represents a valuable incentive towards the adoption of renewable generation, which should be maintained in the absence of concrete and compelling reasons to depart from the status quo.

14. The approach also represents an important and valuable precedent from the perspective of facilitating the future widespread adoption of DERs. The Board's decision on this issue, for example, could influence the approach that other energy sector actors take towards the adoption of other distributed and decentralized technologies, such as virtual power plants, vehicle-to-grid systems, and other aggregated DER solutions.

15. In other words, the importance of precedents that anticipate and facilitate the distributed and decentralized directional trends of the ongoing transition presents an additional reason to maintain the current approach to determining capacity for the purposes of gross load billing.

Issue 5.2: Absent Further Evidence, DRC Recommends the Status Quo with Respect to Thresholds in Cases of Inverters

16. DRC strongly cautions against any change or clarification in this area that could disincentivize the increased adoption and integration of solar generation facilities. DRC's main objections relate to any changes to the status quo that make it less attractive for energy sector actors to pursue the smaller and medium-scale solar projects that will form an integral part of the more distributed energy grid of the future.

17. HONI's primary basis for any prospective change to existing approaches appears to be that solar facilities generally do not satisfy gross load billing thresholds. According to the Background Reports, the fact that in HONI's experience "inverter capacity for solar generation is typically small (under 0.5 MW)" means that "no customers with embedded solar generation are being billed on a gross load basis."[6]

[6] Background Report, p 7 of 24.

18. DRC is strongly supportive of the policy goals that give rise to a framework under which solar generation receives certain forms of favourable treatment. In addition to the various administrative, monitoring, and efficiency interests that weigh against a more comprehensive application of gross load billing, incentives towards the increased adoption of solar help to support the energy transition-related goals of access, affordability, reliability, and decarbonization discussed throughout these submissions.

19. As a result, DRC submits that the Board should be careful not to reduce or otherwise limit existing favourable treatment for solar generation in the absence of a strong factual and policy rationale for doing so, which has not been established in these proceedings.

20. In the absence of further evidence that establishes the necessity for clarification or change, DRC requests that the Board maintain the status quo approach with the policy objective of supporting the continuing adoption of solar generation.

Issue 5.3: DRC Believes Improved Incentives Should Be Available to Energy Storage Facilities that Support Renewable Generation

21. DRC believes that energy storage facilities that can be shown to support and contribute to renewable generation more broadly should receive favourable treatment under the UTR Schedule. In the event the Board elects not to exempt them entirely from gross load billing in the UTR schedule, such facilities should be subject to the higher threshold of 2 MW available to renewable generators.

22. Energy storage provides substantial advantages to Ontario's electricity system by enhancing the stability, resilience, and efficiency of power systems. It facilitates the capture and retention of surplus energy generated from renewable sources such as solar and wind, ensuring a continuous supply even during periods of low generation or peak demand.

23. Similar to many of the other issues in this proceeding, providing the proper incentives for energy storage is an important aspect of securing an energy future that is accessible, affordable, decarbonized, and reliable throughout all phases of the energy transition.

24. HONI implicitly acknowledges some of these benefits in its answers to clarifying questions. For example, HONI recognizes the reduced burden that energy storage has

meant for centralized infrastructure in its concession that storage facility owners are not driven by billing avoidance behaviour:

> [HONI] does not believe that storage facility owners are operating their facilities in a way to reduce gross load billing charges. Generally, storage is deployed by load customers to reduce their monthly non-coincident peak demand (i.e., peak shaving)…."[7]

25. Supporting energy storage is also important from the perspective of the precedent it sets for other elements within Ontario's energy sector. In particular, the Board's decisions on how to support and incentivize energy storage could have important consequences for more widespread adoption of storage, including at the residential or community level, as well as for bi-directional charging. HONI recognizes the bi-directional nature to storage when it notes: "an energy storage facility is unique in its ability to function both like a load or a generator."[8]

26. DRC's strongly supports an approach that seeks to maximize these benefits that energy storage offers. As a result, DRC supports establishing incentives for energy storage facilities that can be shown to displace demand from emitting sources of energy and contribute to renewable generation more broadly, both as a mechanism towards promoting renewable generation (along with its benefits for ratepayers and the sector more broadly) and as an important precedent towards the widespread adoption of renewable solutions and DERs at the residential level.

27. DRC therefore requests that the Board reject HONI's current approach to energy storage facilities, which is to:

    (a) "apply gross load billing to embedded energy storage because energy storage is typically deployed by customers to reduce their non-coincident peak demand";[9] and

[7] ED-03, Response A.
[8] Background Report, p 8 of 24.
[9] Background Report, pp 8-9 of 24.

(b) apply the non-renewable threshold of 1 MW (not 2 MW) on the basis that storage typically does not rely on a renewable process.

28. In place of HONI's existing approach, DRC requests that the Board adopt HONI's proposed Option #1[10] and clarify that the gross billing rules in the UTR Schedule do not apply to storage facilities, subject to the additional requirement that such facilities must be shown to contribute to renewable generation more broadly.

29. Should the Board reject DRC's preferred approach, DRC would alternatively recommend HONI's proposed Option #2 to clarify that energy storage installations are subject to the gross load billing rules, but DRC recommends that such facilities should be subject to the higher renewable threshold of 2 MW in cases where the stored energy comes primarily from renewable sources.

Issue #6: The Board Should Maintain Favourable Thresholds for Renewable Generation

30. DRC supports the continuation of favourable treatment in areas relating to gross billing thresholds for renewable generation and energy storage. DRC views such measures across Ontario's sector as essential components towards the province's ability to decarbonize its energy sector in a way that promotes short and long-term reliability and affordability, in part by adopting new, distributed technologies that will reduce burdens on traditional, centralized infrastructure.

31. On the basis of the above general principles, DRC's submissions in this section are organized as follows:

(a) **Issue 6.1**. DRC's support for maintaining the more favourable qualifying limit exemption for renewable generation facilities;

(b) **Issue 6.2.** DRC's support for specific categories of exemptions, such as the exemptions reflecting system constraints and "peak shaving" that HONI details in its Background Report.

[10] Background Report, p 18 of 24.

Issue 6.1: DRC Supports Maintaining the More Favourable Qualifying Limit Exemption for Renewable Generation Facilities

32. DRC supports maintaining the more favourable qualifying limit exemption for renewable generation facilities, being 2 MW per unit as opposed to 1 MW for non-renewables. DRC believes the higher threshold applicable to renewable generation facilities provides an important incentive that contributes to the increasing adoption of renewable generation as well as DERs. This in turn helps to support the energy transition-related goals of access, affordability, reliability, and decarbonization discussed throughout these submissions.

33. As a result, DRC believes that maintaining the higher threshold for renewable generation supports important policy objectives relating to the energy transition, in addition to providing an important precedent towards incentivizing DERs and decarbonization activities in other areas of the energy sector.

Issue 6.2. DRC Supports Exploring the Exemptions that HONI Details in Its Background Report

34. DRC agrees with HONI that there is merit in considering exemptions to the normal application of gross load billing in specific circumstances, such as where there are existing supply constraints on the system or where a customer installs embedded generation for the sole purpose of "peak shaving and mitigating Class A Global Adjustment charges under the Industrial Conservation Initiative.[11]

35. Nevertheless, DRC recommends limiting any such exemptions to instances where the new or increased load can be shown to contribute to renewable generation more broadly. In this way, the exemptions in question will properly serve as incentives in support of Ontario's decarbonization objectives in the context of the energy transition and the widespread adoption of DERs.

36. Exploration of exemptions will become increasingly important as Ontario increasingly adopts a distributed framework that relies less on centralized infrastructure than it has in

[11] ED-1, Response B. See also Background Report, pp 13-14 and 20.

the past. Exemptions will provide an important tool towards ensuring that costs and incentives keep pace with the energy sector's developing paradigms and policy priorities.

Relief Requested

37. On the basis of the above, DRC requests that the Board's decision include the following elements:

(a) **Issue 5.1**. DRC requests that the Board maintain the current approach under the UTR Schedule that determines whether a transmission customer is subject to gross load billing on the basis of the capacity of an embedded generator unit, as opposed to the combined capacity of a facility;

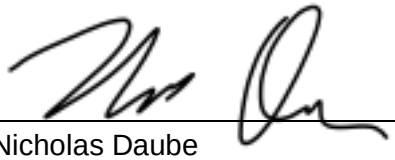
(b) **Issue 5.2**. In the absence of further evidence that establishes the necessity for clarification or change, DRC requests that the Board maintain the status quo approach to applicable thresholds in cases of inverters with the policy objective of supporting the continuing adoption of solar generation;

(c) **Issue 5.3**. DRC requests that the Board exempt energy storage facilities that can be shown to support and contribute to renewable generation from the UTR Schedule. In the alternative, such facilities should be subject to the higher threshold of 2 MW available to renewable generators;

(d) **Issue 6.1**. DRC requests that the Board maintain the more favourable qualifying limit exemption for renewable generation facilities, being 2 MW per unit as opposed to 1 MW for non-renewables; and

(e) **Issue 6.2**. DRC requests that the Board act on HONI's suggestion to consider exemptions to the normal application of gross load billing in specific circumstances, such as where there are existing supply constraints on the system or where a customer installs embedded generation for the sole purpose of "peak shaving and mitigating Class A Global Adjustment charges under the Industrial Conservation Initiative. However, DRC recommends limiting any such exemptions to instances where the new or increased load can be shown to contribute to renewable generation more broadly.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS
16th day of October, 2024



Nicholas Daube
Resilient LLP
Counsel for DRC